

## Schools Forum

29<sup>th</sup> September 2022

### 2022/23 Dedicated Schools Grant Financial Monitoring Report

This report relates to both maintained and academy schools and all members of the schools forum and is for information and comment.

#### Recommendation

Schools Forum is recommended to:

- Note the DSG forecast financial outturn position for 2022/23, as at Period 5.
- Note the forecasted position of the DSG reserve at financial outturn position for 2022/23.

#### 1. Introduction

- 1.1. This report provides an update on the 2022/23 forecast outturn position of the Dedicated Schools Grant (DSG).
- 1.2. The total 2022/23 DSG allocation for Warwickshire, reported to schools forum in March 2022, was £500.571m (shown in the original allocation column in Table 1 below).
- 1.3. Since then, the DSG allocation has been updated to reflect the Academy/High Needs recoupment and an increase in the high needs funding for imports/exports and growing special free schools as well as increased Early Years funding. Table 1 and Appendix A shows the latest allocations to reflect these changes.

**Table 1**

2022/23 Revised DSG Allocations	Original Allocation	Change	Latest Allocation	Reason for Change
	£m	£m	£m	
Schools Block	397.752			Academy Recoupment
Less: National Non-Domestic Rates[1]	(3.624)			
	394.128	(254.120)	140.008	
<i>Total High Needs</i>	82.482	3.639	86.121	<i>£3m additional HN funding and £0.6m import export adjustment</i>
<i>Less: recoupment</i>	(14.564)	(0.922)	(15.486)	<i>High Needs recoupment</i>
High Needs Block	67.918	2.717	70.635	
Early Years Block	34.396	1.346	35.742	EY funding adjustment based on Jan 22 census data
Central School Services Block	4.129		4.129	
<b>Total DSG Allocation</b>	<b>500.571</b>	<b>(250.057)</b>	<b>250.514</b>	-

## 2. 2022/22 Forecasts

2.1. Table 2 summarises the 2022/23 forecast position by DSG Block, as at 31<sup>st</sup> August 2022 (Period 5), and Appendix A provides a detailed breakdown:

Table 2: 2022/23 Forecasts	Latest Allocation	Forecast @ 31st Aug. 22	Drawdown from Reserves	Variance
	£m	£m	£m	£m
Schools Block	140.008	141.112	1.070	0.034
High Needs Block	70.635	73.052		2.418
Early Years Block	35.742	35.736		(0.006)
Central School Services Block	4.129	4.145		0.016
<b>Total DSG Allocation</b>	<b>250.514</b>	<b>254.045</b>	<b>1.070</b>	<b>2.462</b>

2.2. It should be noted that historically the DfE have required all local authorities to complete a recovery plan should the expenditure variance on the DSG exceed 1%. The forecast position of £2.462m equates to a 0.47% overspend, which is within the

DfE threshold.<sup>1</sup> Due to exceeding the 1% threshold in previous years, WCC does have a recovery plan – on which regular updates are provided to schools forum.

- 2.3. Although the total DSG position of the four blocks is used to calculate whether the DSG overspend is above the 1% threshold, in reality, we are not able to move funding between blocks without Schools Forum/Secretary of State approval (disapplication process); so the key financial risk to be highlighted in Table 2 is the £2.418m overspend in the High Needs Block.

### 3. Reserve position

- 3.1. Table 3 below shows the opening position of the DSG reserve as at the 1<sup>st</sup> April 2022, the subsequent drawn down from reserves noted in table 2 and the forecasted effect of outturn that informs the forecasted closing balance of the reserve.

<b>Table 3: 2022/23 Reserves (Funded from)</b>	<b>Opening Balance 01/04/2022</b>	<b>In Year Drawdowns</b>	<b>Effect of outturn</b>	<b>Forecast Closing Balance as at 31/03/2023</b>
Schools Block DSG	1.461	(1.070)	0.034	0.357
High Needs Block DSG	(15.980)		(2.418)	(18.397)
Early Years Block DSG	2.932		0.006	2.939
Central Services Block DSG	0.489		0.016	0.473
<b>DSG Total Reserve</b>	<b>(11.0971)</b>	<b>(1.070)</b>	<b>(2.462)</b>	<b>(14.629)</b>

### 4. Explanations for Variances

The sections below explain the main reasons for the variances across the blocks. A detailed breakdown of variances is shown in Appendix A.

#### Schools Block (£0.034m overspend)

- 4.1. There are minor net overspends £0.034m on the Schools Block.

#### High Needs Block (£2.418m overspend)

- 4.2. The main area of continued concern is the High Needs Block with the forecast overspends totals £2.418m. This forecasted net overspend consists of several significant budgets which are subject to interventions by the SEND & Inclusion **Change programme** (SICP). The over-arching aim over the long term (as funding for SEND is a national issue) is to reduce high costs volumes while increasing lower cost areas of service. For example, reducing the reliance of Independent Specialist

Provision and increasing "SEND Top-ups" to mainstream and special schools. A decision taken at the inception of the SICP to set budgets for individual services as they might be after several years of the change programme (i.e., aspirational) does lead to several large over/underspends because budget is set for the future while the forecasted costs are for the present. Therefore, a holistic view is best taken

However, what should be noted is that excluding "future years SICP planned savings" of £2.245m would mean the HNB is forecasting just £0.175m over-spend in year, although this is net of the £1.908m contribution from the SB to HNB which is subject to annual agreement by the schools forum,

4.3. Areas of overspend include:

- Budgeted planned over allocations of budget for future years savings (SICP) of £2.245m.
- An overspend of £4.117m on Independent Schools Provision, with minor increased demand as unit cost increases. It is possible that there may have been optimism bias in the timing and the number of young people we could divert to other (less costly) placement types (LA mainstream and Special Schools) and therefore, we have a larger current base number than anticipated in the Independent Schools Places budget.
- Top ups of supplemental & Teacher's pension payments for special schools £1.685m (this also includes some minor commissioning contracts)
- There are also a triangulation of data and data quality issues that continue to make this area of forecasting complex and liable to large movements. The SICP needs to re-energise the transfer of data from manual workings to Synergy in order that the service can get a better grasp and overall picture of the issues. The T3 service manager has also organised a full day to review all budgeting and forecasting principles prior to P6.

4.4. The forecast overspends are partly offset by the following underspends: -

- Top ups and Resourced provision £1.507m due to lower demand
- Post 16 Provision - £0.701m - due to lower take up, although it should be noted the numbers of places to be funded between P6 and P12 is very volatile at the start of the Academic year
- Alternative provision £1.286m with a large drop in demand but increased unit costs.
- Approved additional contribution from the Schools Block £1.908m
- Slight overall net underspend of £0.227m for some support services.

### **Early Years Block (£0.006m underspend)**

- 4.5. The Early Years block is similarly forecasting a small under-spend, £0.006m net position. There are under-spends due to £0.324m extra funding due to the 2021/22 final EY block adjustment by DSG and £1.150m underspend on 3-4 years funding and £0.142m overspend on 2 years old. The revised funding has been issued in August by ESFA and there is an increase of £1.2m budget for 3-4 years old. A More accurate position will be available in October/November once the new term has started. Any over or under budget will be adjusted by ESFA in November/December revised allocations. This position is offset by planned one off expenditure of £1.143m, with the release of a package of Covid recovery related grants available to all EY providers and mainstream nurseries.
- 4.6. Schools forum are asked to note that the Early Years forecast variance will change this year to reflect the updated allocation following the release of the October 2022 and January 2022 census data. (We are anticipating the release of the October 2022 Census data and updated allocation in February 2023.)

### **Central Schools Services Block- CSSB (£0. 0.016m overspend)**

- 4.7. The Central School Services Block is forecasting a £0.017m overspend but with some further in-year mitigation this will possibly achieve a zero variance.

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## Appendix A

Schools Block	Latest Budget	Latest Forecast @ 31st Aug 22	Forecast Variance
	£m	£m	£m
Mainstream Individual School Budgets	136.10	136.10	0.00
Growth Fund (exceptional pupil numbers)	2.33	2.33	0.00
Schools Block Contingency	1.86	1.91	0.05
<b>De-delegated budgets</b>			
School Performance	0.19	0.19	0.00
STS SEND Support (Previously "EIS")	0.03	0.03	0.00
Ethnic Minority & Traveller Achievement Service	0.24	0.23	(0.012)
Free School Meals	0.02	0.02	0.00
Teaching Union Cover	0.07	0.07	0.00
Non-Teaching Union Cover	0.02	0.02	0.00
Occupational Health	0.01	0.01	0.00
Central Establishment Charges	0.04	0.04	0.00
Education Functions - DBS	0.17	0.16	(0.005)
<b>Total Schools Allocations</b>	<b>141.08</b>	<b>141.11</b>	<b>0.034</b>

High Needs Block	Latest Budget	Latest Forecast @ 31st Aug 22	Forecast Variance
	£m	£m	£m
SEN – Place Funding for Maintained Mainstream, Special and Resourced Provision	6.147	6.147	0.000
SEN Top up – Mainstream Schools & Academies	12.343	12.405	0.062
SEN Top up – WCC Special Schools & Academies	20.07	18.71	(1.357)
SEN Top up – Independent & OLA Special Schools	14.502	18.618	4.117
Tier 4 Hospital Education	0.180	0.280	0.100
Resourced Provision – SEN Support	1.76	1.55	(0.211)
SEND Speech & Language	0.00	0.00	0.00
Post 16 Funding	8.671	7.969	(0.701)
SEND Commissions	0.453	2.138	1.685
SEND Integrated Services (Low incidence SEND)	1.080	1.114	0.034
SEND Integrated Services (Flexible Learning)	0.771	0.752	(0.019)
Area Behaviour Partnerships (Primary and Secondary Exclusions)	2.76	2.15	(0.614)
Contribution to Early Intervention Behaviour Panels	0.064	0.064	0.00
Alternative Provision	0.922	0.250	(0.672)
SEND Integrated Services (Specialist Teaching Service)	1.055	0.910	(0.145)
Integrated Disability Service SEN Inclusion Grant (EY)	0.385	0.385	0.00
High Needs Contingency/ (Shortfall)	(1.957)	(1.818)	0.139
Central Establishment Charges	1.428	1.428	0.000
<b>High Needs Allocations</b>	<b>70.634</b>	<b>73.052</b>	<b>2.418</b>

Early Years Block	Latest Budget	Latest Forecast @ 31st Aug 22	Forecast Variance
	£m	£m	£m
Nursery schools (Universal Hours)	1.664	1.664	0
Nursery Funding 3&4 year olds (Universal funding - Independent Providers & Nursery Classes)	19.887	19.136	(0.751)
Nursery Funding 3&4 year Olds (Additional 15 hours)	8.553	9.032	0.4792
Maintained Nursery Supplement	0.703	0.703	0
DSG Pupil Premium	0.220	0.481	0.261
Funded 2 year olds	3.032	3.174	0.143
Disability Access Fund	0.165	0.165	0
IDS TL Early Years	0.866	0.722	(0.144)
Early Years - Sufficiency & Business Support	0.249	0.250	0.000
Early Years Quality & Development	0.089	0.094	0.005
EYB Central Establishment Charges	0.314	0.314	0
<b>Early Years Allocations</b>	<b>35.742</b>	<b>35.736</b>	<b>(0.006)</b>



Central Schools Services Block	Latest Budget	Latest Forecast @ 31st Aug 22	Forecast Variance
	£m	£m	£m
Children's Mental health	0.150	0.000	(0.150)
Admissions	0.673	0.673	0.000
Heads Termly / SACRE	0.018	0.018	0.000
DSG SF Allocation - Historic Pension Contribution	0.737	0.737	0.000
DSG SF Allocation - North Leamington School Prudential Borrowing	0.266	0.266	0.000
DSG SF Allocation - Copyright Licences	0.559	0.466	(0.093)
Employers Liability Insurance	0.045	0.045	0.000
Teachers Pensions Employer Contribution Grant (TPECG)	0.484	0.4239	(0.060)
Schools Central Services (DSG) Budget Balance	(0.320)	0	0.320
<b>Education functions for all schools:</b>			
Planning for the education service as a whole (Sch 2, 15b)	0.378	0.378	0
Formulation and review of local authority schools funding formula (Sch 2, 15d)	0.047	0.047	0
School attendance (Sch 2, 16)	0.377	0.377	0
Responsibilities regarding the employment of children (Sch 2, 18)	0.069	0.069	0
Admissions (Sch 2, 9)	0.086	0.086	0
Cost of support services for Education Functions	0.56	0.56	0
<b>Central Schools Services Allocations</b>	<b>4.129</b>	<b>4.146</b>	<b>0.017</b>

\* Note that there may be rounding differences between the figures presented in this Appendix compared to the Tables in the body of the report.